

**SFY 2012 Budget Report from the
Plumbers, Mechanical Professionals, and
Contractor Licensing Board**



**Submitted to the Iowa General Assembly on
November 1, 2012**

Pursuant to requirements of Iowa Code 105.9

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Pursuant to Iowa Code 105.9, the Iowa Plumber, Mechanical Professional, and Contractor Licensing Board (PMB) submits the following annual budget report to the Iowa State Legislature. Iowa Code 105.9 requires the board to demonstrate that revenues remain within 10% of expenditures over a period of at least three years.

Licensing renewal status as of June 30, 2012:

- The board issued 25,532 total licenses through December 31, 2010. Those licenses were eligible for renewal in calendar years 2011 and 2012. As of June 30, 2012 only 21,762 licenses had been renewed. Very few licenses are scheduled for renewal between July 1, 2012 and December 31, 2012. This results in an approximately 14% reduction in the number of licenses issued by the board that will impact future revenue. The reason for this reduction is not fully understood. Future reductions in renewals cannot be reasonably projected.
- The 21,762 licenses are held by 11,424 individuals. Approximately 75% of the licenses issued are held by one individual who holds multiple licenses (e.g. Master Plumber, Master HVAC held by the same person).
- With a new three year license taking effect January 1, 2011 roughly 95% of all license renewals and associated revenue generation will occur on a three year cycle occurring in calendar years 2014, 2017, 2020, etc..
- Beginning in November 2012 the board will be issuing contractor licenses pursuant to Iowa Code 105.18. The purpose of the contractor license is to ensure that business owners in the plumbing and mechanical trades possess adequate bonding and insurance as a means to provide financial protection for Iowa consumers. The initial license fee will be waived for anyone who obtains the contractor license prior to January 1, 2014.

FY11/FY12 expenditures and projected annual budget through State Fiscal year 2016:

Expenditure Summary FY2011 & 2012			
<i>State Fiscal Year</i>	<i>Revenue (includes. carryover)</i>	<i>Expenditures</i>	<i>Balance</i>
2011	\$3,703,266	\$964,052	\$2,739,214
2012	\$2,846,246	\$1,013,649	\$1,832,012
Projected Revenue and Expenditures FY2013 through 2016			
2013	\$1,832,012	\$1,283,297	\$598,715
2014	\$2,125,044	\$1,283,297	\$841,747
2015	\$2,528,742	\$1,283,297	\$1,245,445
2016	\$1,758,745	\$1,283,297	\$475,448

NOTE: A more detailed budget report for the FY09 through FY13 period can be found on page 3 of this report.

Assumptions:

- 2011 legislation changes licenses from a 2 year to a 3 year license. This change results in zero licenses set to renew in calendar year 2013.
- Statutorily established fees through December 31, 2012. The board is currently evaluating a new licensing fee structure that will become effective sometime after January 1, 2013.
- Projected revenues in the table above are based on using a license fee of \$275 and \$125 for the Master and Journey license. Each license is good for a period of three years, resulting in approximately \$92/year for the master license, and \$42/year for the journey license. Draft rules reflecting these fees will be presented to the board in December for Notice of Intended Action.
- The projected expenditures for FY13 through FY16 are made based on the assumption that the four year total expense will not exceed the annual average of \$1,283,297. Annual expenditures vary significantly with renewal cycles due to the accompanying software fee incurred for each licensing transaction. In years with a large number of renewals the software costs are much higher than in years with few or no renewals.
- Evidence suggests that an additional investigator for the board may be necessary to investigate complaints against licensees. This need will be monitored closely over the next 12 months before any major changes in budgeting are made.
- It is anticipated that another reduction in the number of licenses renewed in 2014 will result in a reduction in revenue. However, that projection cannot be reasonably predicted and has not been reflected in the numbers above. Some offset of this reduction will be made with new licenses issued. Affects from these factors will be monitored closely in calendar year 2014 when the next significant renewal cycle occurs.
- Assumption that no additional significant changes in legislation affecting the board are made. The statute governing this board has experienced significant legislative modifications each year since 2007.

Conclusions:

1. This budget report was developed using a limited understanding of the long term trends of the expenditures for this board, due in large part to the annual legislative changes.
2. This report was created in part using historical data that does not fully represent current program needs. For example, the board expects that the renewal rate may have been skewed due to the fact that all renewals in 2011 and 2012 were done at no cost. If a full renewal fee had been charged the percentage of licenses not renewed may have been higher.
3. This budget shows a four year estimated budget from FY13 through FY16 of \$3,849,891, with an ending balance of \$475,448. This brings the revenue to within 12.3% of expenditures for the four year budget period. It also demonstrates a gradual reduction in the carryover amount, coupled with the potential for lower than projected revenues, may achieve the 10% goal within the projected FY13 – FY16 budgeting period.

PLUMBER/MECHANICAL CONTRACTOR LICENSING HISTORY

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Estimated Budget Revised 5.07.12	Actual FY12 as of 9.30.12	FY12 % Spent (Actual/ Budget)	FY13 Estimated Budget 7.1.12
Prior FY Carryover of fees	151,570.00	2,495,473.36	3,549,193.80	2,707,503.78	2,707,503.78	100%	1,832,012.00
GF Appropriation	2,840,705.00	1,710,105.00	153,972.71	50,000.00	138,622.30	277%	50,000.00
Revenue Total	2,992,275.00	4,205,578.36	3,703,166.51	2,757,503.78	2,846,126.08 (1,850,180.01)	103%	1,882,012.00
EXPENDITURES							
101 Personnel	180,800.19	261,010.86	423,530.39	572,931.00	475,027.12	83%	647,847.00
202 In-State Travel	12,508.64	13,712.68	14,182.33	13,500.00	11,105.82	82%	13,500.00
203 State Vehicle Operation	-	-	61.06	200.00	55.87	28%	200.00
204 State Vehicle Depreciation	-	-	28.71	200.00	31.79	16%	200.00
205 Out-of-State Travel	-	-	-	-	-	0%	-
301 Office Supplies	4,708.07	9,783.45	7,084.75	10,000.00	11,247.52	112%	7,500.00
308 Other Supplies	-	524.00	77.57	700.00	-	0%	200.00
309 Printing and Binding	5,868.31	8,654.20	12,389.49	13,000.00	1,977.57	15%	5,000.00
311 Food	177.95	-	1.35	500.00	1.35	0%	200.00
312 Uniforms	-	-	-	200.00	182.75	91%	-
313 Postage	8,787.45	27,304.83	22,649.23	30,000.00	18,907.49	63%	25,000.00
401 Communications	3,283.99	8,014.80	7,122.48	9,000.00	7,330.93	81%	9,000.00
402 Rentals	-	-	525.00	1,000.00	-	0%	1,000.00
405 Professional & Scientific Services	-	-	1,039.50	-	-	N/A	1,000.00
406 Outside Services	-	51,333.20	82,884.93	110,000.00	111,800.57	102%	110,000.00
407 Intra-State Transfers	-	48,004.00	74,111.00	64,241.00	76,426.63	119%	143,822.00
408 Advertising & Publicity	-	12,563.68	-	100.00	-	N/A	1,000.00
409 Outside Repairs	-	-	-	-	37.50	N/A	100.00
411 Attorney General Reimbursement	42,432.56	45,332.94	46,421.61	-	-	N/A	-
414 Reimbursement to other Agencies	1,469.82	2,501.09	3,630.54	4,500.00	3,101.03	69%	4,500.00
416 ITD Reimbursements	164,213.97	121,232.61	15,972.85	100,000.00	10,843.20	11%	25,000.00
418 IT Outside Services	-	-	149,035.50	200,000.00	185,673.79	93%	150,000.00
432 Gov Transfer Attorney General	-	-	-	51,000.00	50,473.11	99%	67,416.00
434 Gov Transfer Other Agencies	-	-	-	19,000.00	21,482.91	113%	25,000.00
502 Office Equipment	9,417.61	602.25	-	5,000.00	-	0%	10,000.00
503 Equipment/Non-Inventory	2,530.98	2,053.00	4,966.60	5,000.00	713.47	14%	5,000.00
510 IT Equipment	1,085.60	4,426.32	23,979.03	5,000.00	4,788.08	96%	7,500.00
601 Claims	-	-	-	-	-	0%	-
602 Other Expenses & Obligations	46,066.50	22,005.65	1,308.60	23,200.00	1,124.52	5%	18,312.00
701 Licenses	-	-	-	-	-	0%	-
705 Refund	13,450.00	17,125.00	104,660.21	5,000.00	3,613.05	72%	5,000.00
Expenditure Total	496,801.64	656,384.56	995,662.73	1,243,272.00	995,946.07	80%	1,283,297.00
Additional Encumbrances in 13 per monthly report							
RECAP							
Total Revenue	2,992,275.00	4,205,578.36	3,703,166.51	2,757,503.78	995,946.07	36%	1,882,012.00
Total Expenditures	496,801.64	656,384.56	995,662.73	1,243,272.00	995,946.07	80%	1,283,297.00
Balance	2,495,473.36	3,549,193.80	2,707,503.78	1,514,231.78	-		598,715.00
Approp Close Out &/or Appeal Boards							
Amount Carried Forward	2,495,473.36	3,549,193.80	2,707,503.78	1,514,231.78	-		598,715.00